

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
June 30, 2019 and 2018

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NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
June 30, 2019 and 2018

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NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Board of Directors  
June 30, 2019

President	Michael Keim
President-Elect	Greg Evanoff
Immediate Past-President	Bev Marsh
Board Member	Michael Goebel
Board Member	Otto Dohm
Board Member	Alison Fallgatter
Secretary/Treasurer	Tim Mehlhoff
Executive Director	Rita Sommers



JASON SCHUH, PC  
Certified Public Accountant

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
North Dakota State Board of  
Dental Examiners  
P.O. Box 7246  
Bismarck, ND 58507-7246

### **Report on the Financial Statements**

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the North Dakota State Board of Dental Examiners, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the North Dakota State Board of Dental Examiners' basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express opinions on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

## **Opinions**

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the North Dakota State Board of Dental Examiners, as of June 30, 2019 and 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Management has omitted the management's discussion and analysis and the budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. My opinion on the basic financial statements is not affected by this missing information.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, I have also issued my report dated December 15, 2020, on my consideration of the North Dakota State Board of Dental Examiners' internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the North Dakota State Board of Dental Examiners' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the North Dakota State Board of Dental Examiners' internal control over financial reporting and compliance.



Jason Schuh, PC  
Certified Public Accountant

Bismarck, North Dakota

December 15, 2020

JS/II

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
Statements of Net Position  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Assets:</b>		
<b>Current Assets:</b>		
Cash and Cash Equivalents	\$ 144,590	\$ 275,103
Certificates of Deposit	312,843	308,332
Accounts Receivable	1,400	0
Accrued Interest	1,577	1,553
Prepaid Expenditures	8,403	3,308
Total Current Assets	<u>\$ 468,813</u>	<u>\$ 588,296</u>
<b>Noncurrent Assets:</b>		
Depreciable Property and Equipment, Net	<u>1,876</u>	<u>164</u>
<b>Total Assets</b>	<u>\$ 470,689</u>	<u>\$ 588,460</u>
 <b>Liabilities:</b>		
<b>Current Liabilities:</b>		
Accounts Payable	\$ 24,180	\$ 18,467
Payroll Taxes Payable	740	5,167
Total Current Liabilities	<u>\$ 24,920</u>	<u>\$ 23,634</u>
<b>Total Liabilities</b>	<u>\$ 24,920</u>	<u>\$ 23,634</u>
 <b>Deferred Inflow of Resources:</b>		
Deferred inflow - unearned revenue	<u>\$ 127,213</u>	<u>\$ 242,340</u>
 <b>Net Position:</b>		
Net Investment in Capital Assets	\$ 1,876	\$ 164
Unrestricted	<u>316,680</u>	<u>322,322</u>
<b>Total Net Position</b>	<u>\$ 318,556</u>	<u>\$ 322,486</u>

The accompanying notes are an integral part of these financial statements.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
Statement of Activities  
For the Year Ended June 30, 2019

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Change in Net Position</u>
		<u>Services</u>	<u>Grants and</u>	<u>Primary Government</u>
			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 257,008	\$ 6,800	\$ 10,000	\$ (240,208)
Total Primary Government	\$ 257,008	\$ 6,800	\$ 10,000	\$ (240,208)
General Revenues:				
Licenses, Exams, and Fees				\$ 223,583
Late Fees				1,410
Unrestricted Investment Earnings				4,561
Miscellaneous				<u>6,724</u>
Total General Revenues				\$ 236,278
Change in Net Position				\$ (3,930)
Net Position - Beginning				<u>322,486</u>
Net Position - Ending				<u>\$ 318,556</u>

The accompanying notes are an integral part of these financial statements.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
Statement of Activities  
For the Year Ended June 30, 2018

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) and</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Change in Net Position</u>
		<u>Services</u>	<u>Grants and</u>	<u>Primary Government</u>
			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 241,938	\$ 6,300	\$ 0	\$ (235,638)
Total Primary Government	\$ 241,938	\$ 6,300	\$ 0	\$ (235,638)
General Revenues:				
Licenses, Exams, and Fees				\$ 228,050
Late Fees				8,920
Unrestricted Investment Earnings				4,487
Miscellaneous				<u>1,768</u>
Total General Revenues				\$ 243,225
Change in Net Position				\$ 7,587
Net Position - Beginning				<u>314,899</u>
Net Position - Ending				<u>\$ 322,486</u>

The accompanying notes are an integral part of these financial statements.



NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
Balance Sheets - Governmental Funds  
June 30, 2019 and 2018

	2019 <u>General</u>	2018 <u>General</u>
<b>Assets:</b>		
Cash and Cash Equivalents	\$ 144,590	\$ 275,103
Certificates of Deposit	312,843	308,332
Accounts Receivable	1,400	0
Accrued Interest	1,577	1,553
Prepaid Expenditures	<u>8,403</u>	<u>3,308</u>
<b>Total Assets</b>	<u>\$ 468,813</u>	<u>\$ 588,296</u>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts Payable	\$ 24,180	\$ 18,467
Payroll Taxes Payable	<u>740</u>	<u>5,167</u>
<b>Total Liabilities</b>	<u>\$ 24,920</u>	<u>\$ 23,634</u>
<b>Deferred Inflow of Resources:</b>		
Deferred inflow - unearned revenue	<u>\$ 127,213</u>	<u>\$ 242,340</u>
<b>Fund Balances:</b>		
Nonspendable	\$ 8,403	\$ 3,308
Unassigned	<u>308,277</u>	<u>319,014</u>
Total Fund Balances (Deficit)	<u>\$ 316,680</u>	<u>\$ 322,322</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 468,813</u>	<u>\$ 588,296</u>

The accompanying notes are an integral part of these financial statements.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
Reconciliation of the Governmental Funds Balance Sheets  
to the Statements of Net Position  
June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Total Governmental Fund Balances	\$ 316,680	\$ 322,322
<b>Amounts reported in governmental activities in the statement of net position are different because:</b>		
Capital assets used in the governmental activities are not financial resources and therefore are not reported in the funds.	5,835	3,649
Accumulated depreciation has not been included in the governmental fund financial statements.	<u>(3,959)</u>	<u>(3,485)</u>
<b>Net Position of Governmental Activities</b>	<u>\$ 318,556</u>	<u>\$ 322,486</u>

The accompanying notes are an integral part of these financial statements.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
Statements of Revenues, Expenditures, and Changes in Fund Balances -  
Governmental Funds  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
<b>Revenues:</b>		
Dental License Renewals	\$ 86,900	\$ 86,800
Hygienist License Renewals	59,325	58,688
Assistants License Renewals	32,050	30,575
Dental Exams and Licensing	17,080	23,640
Hygienist Exams and Licensing	8,300	9,350
Assistants Exams and Licensing	11,050	10,660
Anesthesia Fee	5,500	4,400
Late Fees	1,410	8,920
Inactive Status Fees	3,378	3,938
Interest Income	4,561	4,487
Labels	6,800	6,300
Grant Revenue	10,000	0
Other	<u>6,724</u>	<u>1,768</u>
Total Revenues	<u>\$ 253,078</u>	<u>\$ 249,526</u>
<b>Expenditures:</b>		
Management	\$ 21,492	\$ 18,288
Executive Director Compensation	121,000	113,947
Payroll Taxes	9,311	9,059
Rent	2,100	2,025
Telephone	1,781	2,499
Travel and Meetings	39,951	45,278
Office Supplies and Postage	4,149	7,557
Printing and Engraving	2,180	4,724
Legal and Accounting	15,486	13,594
Dues and Publications	2,585	5,360
Web Page	31,303	10,663
Insurance	1,692	1,663
Repairs & Maintenance	262	164
Miscellaneous	1,438	919
Scanning Project	0	116
Capital Outlay	2,186	0
Credit Card Processing Fees	<u>1,804</u>	<u>5,659</u>
Total Expenditures	<u>\$ 258,720</u>	<u>\$ 241,515</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(5,642)</u>	<u>8,011</u>

The accompanying notes are an integral part of these financial statements.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
 Bismarck, North Dakota  
 Statements of Revenues, Expenditures, and Changes in Fund Balances -  
 Governmental Funds (continued)  
 For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Change in Fund Balances	\$ (5,642)	\$ 8,011
Fund Balances (Deficit) - beginning	<u>322,322</u>	<u>314,311</u>
Fund Balances (Deficit) - ending	<u>\$ 316,680</u>	<u>\$ 322,322</u>

The accompanying notes are an integral part of these financial statements.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Bismarck, North Dakota  
Reconciliation of the Statements of Revenues, Expenditures, and  
Changes in Fund Balances of Governmental Funds to the  
Statements of Activities  
For the Years Ended June 30, 2019 and 2018

	<u>2019</u>	<u>2018</u>
Net Change in Governmental Fund Balances	\$ (5,642)	\$ 8,011
<b>Amounts reported for the governmental activities in the statement of activities are different because:</b>		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is depreciated over their estimated useful lives.		
Expenditures for capital assets	2,186	0
Less current year depreciation	<u>(474)</u>	<u>(424)</u>
<b>Change in Net Position of Governmental Activities</b>	<u><u>\$ (3,930)</u></u>	<u><u>\$ 7,587</u></u>

The accompanying notes are an integral part of these financial statements.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the North Dakota State Board of Dental Examiners have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below:

A. Nature of Operations

The North Dakota State Board of Dental Examiners consists of seven members appointed by the governor (five dentists, one dental hygienist and one public member).

The function and purpose of the North Dakota State Board of Dental Examiners is to protect the citizens of North Dakota from illegal dentistry through licensing, education and examination of those persons practicing dentistry or dental hygiene in this state, and to carry out the provisions of Chapter 43-28 of the North Dakota Century Code.

B. Reporting Entity

The reporting entity of the North Dakota State Board of Dental Examiners is determined in accordance with the criteria defined in GASB Statement No. 14, the Financial Reporting Entity.

As required by generally accepted accounting principles, these financial statements present the Board (the primary government). There were no component units.

C. Basis of Presentation and Basis of Accounting

Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities display information about the primary government (the Board). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the Board.

The statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Board and for each function of the Board's governmental activities.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Basis of Presentation and Basis of Accounting (continued)

- Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

- Indirect expenses – expenses of the general government related to the administration and support of the Board's programs, such as personnel and accounting – are allocated to programs based on their percentage of total primary government expenses.

- Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Board's funds, including fiduciary funds. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major funds, each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds. The Board has the following major governmental funds:

- General fund. This is the Board's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Revenue from licenses and fees is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The Board considers all revenues available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred.

General capital asset acquisitions are reported as expenditures in governmental funds. Acquisitions under capital leases are reported as other financing sources.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. Basis of Presentation and Basis of Accounting (continued)

The government reports unearned revenues on its balance sheet. Unearned revenues arise when potential revenue meets both the “measurable” and “available” criteria for recognition in the current period. Unearned revenues also arise when resources are received by the government before it has a legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for unearned revenue is removed and revenue is recognized.

D. Budget

The Board is not required by North Dakota Law to adopt an annual budget for the General Fund.

E. Encumbrance Accounting

Encumbrances are not liabilities and, therefore, are not recorded as expenditures until receipt of the materials or services. For budgetary purposes, appropriations lapse at fiscal year-end and outstanding encumbrances at year-end are reappropriated in the next year. Encumbrances, which represent commitments related to unperformed contracts for goods or services, have not been recorded in the financial statements.

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, money market accounts and highly liquid investments with an original maturity of three months or less. Deposits must either be deposited with the Bank of North Dakota or in other financial institutions situated and doing business within the state. Deposits, other than with the Bank of North Dakota, must be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

State statutes authorize the board to invest in:

(1.) Bonds, treasury bills and notes, or other securities that are a direct obligation of, or an obligation insured or guaranteed by, the treasury of the United States, or its agencies, instrumentalities, or organizations created by an Act of Congress.

(2.) Securities sold under agreements to repurchase written by a financial institution in which the underlying securities for the agreement to repurchase are of the type listed above.



NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

F. Cash and Cash Equivalents (continued)

(3.) Certificates of Deposit fully insured by the Federal Deposit Insurance Corporation or the state.

(4.) Obligations of the board.

The investments of the board for the years ended June 30, 2019 and 2018 consisted of certificates of deposit stated at cost. For risk analysis purposes, the certificates of deposit are classified as deposits.

G. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. Capital Assets

Capital assets are reported at actual or estimated historical cost based on appraisals or deflated current replacement cost. Contributed assets are reported at estimated fair value at the time received. The board does not possess any infrastructure.

Capitalization policies (the dollar values above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	<u>Capitalization Policy</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Office Equipment	\$ 0	Straight-line	5-7 years

I. Revenue Recognition

Revenue is recorded for licenses, exams, and other miscellaneous fees. Program revenues include income from labels. The fee for the licenses for dentists, hygienists, assistants and the fee for anesthesia use is for a two-year calendar period. The fee for obtaining inactive status is on a calendar year period and is renewed yearly. Dentists, hygienists, and the anesthesia fee renews in odd years, while the assistants renew in even years. Revenue is recognized when earned. Unearned revenue represents the amount of licenses yet to be recognized as revenue.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

J. Fund Equity and Net Position

In the governmental fund financial statement, fund balances are classified as follows:

Nonspendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority and does not lapse at year-end.

Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Executive Board.

Unassigned – includes positive fund balance within the General Fund which has not been classified within the above-mentioned categories and negative fund balances in other governmental funds.

The Board uses restricted amounts first when both restricted and unrestricted fund balance is available, unless there are legal documents/contracts that prohibit doing this. Additionally, the Board would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The Board does not have a formal minimum fund balance policy.

Equity is classified as net position and displayed in the two following components, as applicable:

1. Net investment in capital assets – consists of capital assets, net of accumulated depreciation and any related debt.
2. Unrestricted net position – net position that is neither classified as “net investment in capital assets” nor as “restricted.”

The Board’s policy is to first use restricted net position, prior to the use of unrestricted net position, when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

K. Income Taxes

The entity is a governmental entity and is not subject to income tax.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

NOTE 2: CASH AND INVESTMENTS

The following is a summary of the cash and investments as of June 30, 2019 and 2018:

	<u>06/30/19</u>	<u>06/30/18</u>
US Bank - Checking	\$ 138,545	\$ 263,725
US Bank - Savings	5,624	5,623
Capital Credit Union - Savings	25	0
PayPal	396	5,755
Capital Credit Union - CD	0	73,458
Capital Credit Union - CD	24,424	0
Capital Credit Union - CD	50,104	0
Bremer Bank - CD	125,517	123,358
Bremer Bank - CD	56,399	55,758
Bremer Bank - CD	<u>56,399</u>	<u>55,758</u>
	<u>\$ 457,433</u>	<u>\$ 583,435</u>

The Board had five authorized depositories for its deposits and investments. North Dakota Statutes require the market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. These funds are insured and collateralized as of June 30, 2019 and 2018 as follows:

<u>Depository</u>	<u>Funds on Deposit</u>	<u>Insured Funds</u>	<u>Collateralized Funds</u>	<u>Uninsured Funds</u>
<b><u>2019</u></b>				
US Bank	\$153,704	\$153,704	\$ -0-	\$ -0-
PayPal	396	-0-	-0-	396
Capital Credit Union	74,553	74,553	-0-	-0-
Bremer Bank	238,315	238,315	-0-	-0-
<b><u>2018</u></b>				
US Bank	\$273,513	\$250,000	\$ 23,513	\$ -0-
PayPal	5,755	-0-	-0-	5,755
Capital Credit Union	73,458	73,458	-0-	-0-
Bremer Bank	234,874	234,874	-0-	-0-

Category 1 is defined as deposits which are insured or collateralized with securities held by the Board or by its agent in the Board's name.

Category 2 is defined as deposits which are collateralized with securities held by the pledging financial institution's trust department, or its agent, in the Board's name.

Category 3 is defined as deposits which are uninsured and uncollateralized.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

NOTE 2: CASH AND INVESTMENTS (continued)

Based on these three levels of risk, the Board's cash deposits are classified as Category 1 and Category 3 for the year ended June 30, 2019. Cash deposits for the year ended June 30, 2018 would be classified as Category 1, Category 2, and Category 3.

NOTE 3: ACCOUNTS RECEIVABLE

All accounts receivable were deemed to be fully collectible. Any account deemed uncollectible is charged to operations in the year it is deemed uncollectible. The amounts deemed uncollectible have historically been insignificant.

The accounts receivables as of June 30, 2019 and 2018, are summarized as follows:

	<u>06/30/19</u>	<u>06/30/18</u>
Dr. Jeffrey Harrie	\$ 1,000	\$ 0
US Bank	<u>400</u>	<u>0</u>
	<u>\$ 1,400</u>	<u>\$ 0</u>
	=====	=====

NOTE 4: RENT

The Board rents space from the home of the executive director. Rent expense for the years ended June 30, 2019 and 2018, was \$2,100 and \$2,025, respectively. There is no formal lease agreement and has been on a month-to-month basis with payments being \$150.00 per month. During the audit period, rent payments were increased to \$175.00 per month. Minimum lease payments on the lease are as follows for the years ending June 30:

2020	\$ 2,100
2021	\$ 2,100

NOTE 5: DEFERRED INFLOWS OF RESOURCES

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The Board has one type of item to report in this category. The item is *deferred revenue – unearned revenue* and represents unearned license revenue as of June 30, 2019 and 2018, respectively.

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
NOTES TO FINANCIAL STATEMENTS  
For the Years Ended June 30, 2019 and 2018

NOTE 6: RISK MANAGEMENT

The Board is exposed to risks including, but not limited to, public liability. The Board has contracted with the State of North Dakota's Risk Management Fund to limit the Board's exposure to loss. The Board's employee is also covered by the North Dakota Workforce Safety & Insurance program. No claims have been filed against the Board as of June 30, 2019 and 2018, nor have any payments been made on the Board's behalf by the Risk Management Fund. The Board also carries insurance with CNA to insure against employee theft.

Settled claims resulting from these risks have not exceeded the insurance coverage in any of the past three years.

NOTE 7: CAPITAL ASSETS AND ACCUMULATED DEPRECIATION

A summary of capital assets and accumulated depreciation for the years ended June 30, 2019 and 2018 is as follows:

	<u>Capital Assets</u>	<u>Accumulated Depreciation</u>
Balance July 1, 2017	\$ 3,649	\$ 3,061
Additions	-0-	424
Deletions	-0-	-0-
Balance June 30, 2018	\$ 3,649	\$ 3,485
Additions	2,186	474
Deletions	-0-	-0-
Balance June 30, 2019	\$ 5,835	\$ 3,959
	=====	=====

NOTE 8: EVALUATION OF SUBSEQUENT EVENTS

The spread of COVID-19 appears to be altering the behavior of organizations and people in a manner that is having negative effects on global and local economies. The Board is closely monitoring the impact of COVID-19 on operations. The financial statements do not include adjustments relating to this pandemic.

During 2020, an individual has brought legal action against the Board. Based on the information provided, the outcome is unlikely to have a substantial monetary impact to the Board.

The Board has evaluated subsequent events through December 15, 2020, the date which the financial statements were available to be issued.



JASON SCHUH, PC  
Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors  
North Dakota State Board of  
Dental Examiners  
P.O. Box 7246  
Bismarck, ND 58507-7246

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the North Dakota State Board of Dental Examiners, as of and for the years ended June 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the North Dakota State Board of Dental Examiners' basic financial statements and have issued my report thereon dated December 15, 2020.

**Internal Control Over Financial Reporting**

In planning and performing my audits of the financial statements, I considered the North Dakota State Board of Dental Examiners' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the North Dakota State Board of Dental Examiners' internal control. Accordingly, I do not express an opinion on the effectiveness of the North Dakota State Board of Dental Examiners' internal control.

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 19-01 and 19-02 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiency described in the accompanying schedule of findings and questioned costs as item 19-03 to be a significant deficiency.

**Compliance and Other Matters**

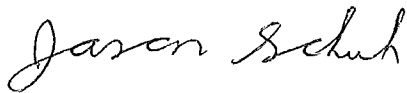
As part of obtaining reasonable assurance about whether the North Dakota State Board of Dental Examiners' financial statements are free from material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 19-04.

**North Dakota State Board of Dental Examiners' Response to Findings**

The North Dakota State Board of Dental Examiners' response to the findings identified in my audits are described in the accompanying schedule of findings and questioned costs. The North Dakota State Board of Dental Examiners' response was not subjected to the auditing procedures applied in the audits of the financial statements and, accordingly, I express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Jason Schuh, PC  
Certified Public Accountant

Bismarck, North Dakota

December 15, 2020

JS/II

NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Schedule of Findings and Questioned Costs  
June 30, 2019 and 2018

19-01. Segregation of Duties

Condition - The North Dakota State Board of Dental Examiners has an internal control weakness due to limited staff. This limited staff usually delegates one person to collect monies, record receipts and disbursements in journals, maintain the general ledger, and prepare financial statements.

Criteria - A good system of internal control contemplates an adequate segregation of duties so that no individual has control of a transaction from inception to completion.

Cause - There are a limited number of staff members available for these duties.

Effect - Inadequate segregation of duties could affect the Board's ability to timely detect misstatements in amounts that would be material to the financial statements.

Recommendation - This is a common issue for an organization of your size. Due to the size of the Board, the most effective controls lie in the Board's knowledge of matters relating to the Board's operations.

Management's Response - Based upon current staffing capabilities, internal control and separation of duties is accomplished to the furthest extent possible. Full financial reports are provided to the Board at every meeting and additionally upon request.

19-02. Journal Entries

Condition - During my audit, adjusting journal entries were proposed in order to properly reflect the financial statements in accordance with GAAP.

Criteria - The Board is required to establish internal controls and procedures which allow it to determine that all general ledger accounts are properly reflected according to generally accepted accounting principles.

Cause - Year-end payables were not accrued by staff in the accounting software.

Effect - The accounts payable was not accurately reflected on the trial balance presented for the audit.

Recommendation - Implement use of the accounts payable feature in Quickbooks to aid in recording the payables in the proper accounting period.

Management's Response - Efforts will be made to record year-end accounts payable.



NORTH DAKOTA STATE BOARD OF DENTAL EXAMINERS  
Schedule of Findings and Questioned Costs (cont.)  
June 30, 2019 and 2018

19-03. Financial Statement Preparation

Condition - The financial statements are prepared by the Board's external auditors.

Criteria - Complete and accurate presentation of the financial statements in conformity with generally accepted accounting principles is required.

Cause - Ongoing changes in the reporting and disclosure requirements make it difficult to maintain knowledge of current accounting standards with limited time available to the accounting department.

Effect - The Board has elected to have the auditors complete the full disclosure financial statements.

Recommendation - I recommend the Board obtain the necessary knowledge of current accounting principles to prepare financial statements or outsource the preparation of its financial statements.

Management's Response - It is not practical to have financial reports prepared by another accounting firm.

19-04. Uninsured Deposits

Condition - The North Dakota State Board of Dental Examiners was in noncompliance with North Dakota state law that requires deposits, other than with the Bank of North Dakota, to be fully insured or secured with pledges of securities equal to 110% of the uninsured balance.

Criteria - ND State law requires governmental entities to have their deposits be fully insured.

Cause - PayPal is being used to process license renewals for the Board.

Effect - The cash balance being held at PayPal is not covered by FDIC insurance.

Recommendation - It is recommended that the North Dakota State Board of Dental Examiners find an alternative to having funds held at PayPal.

Management's Response - Management will look into closing their PayPal accounts.



JASON SCHUH, PC  
Certified Public Accountant

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## MANAGEMENT LETTER

December 21, 2020

Board of Directors  
North Dakota State Board of  
Dental Examiners  
P.O. Box 7246  
Bismarck, ND 58507-7246

In planning and performing my audits of the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the North Dakota State Board of Dental Examiners for the years ended June 30, 2019 and 2018, I considered the Board's internal control structure to determine my auditing procedures for the purpose of expressing opinions on the financial statements and not to provide assurance on the internal control structure.

Internal control structure is weak due to limited staff which prevents proper segregation of duties on accounting functions necessary to assure adequate internal control. Since adding additional staff is not practicable, the most effective controls lie in the Board's knowledge of matters relating to day-to-day operations.

Deposit spreadsheets that are prepared by the management company may want to be reviewed to make sure that the amounts are being properly classified.

The Board was in noncompliance with North Dakota state law that requires deposits, other than with the Bank of North Dakota, to be fully insured or secured with pledges of securities equal to 110% of the uninsured balance. I would recommend that the Board consider closing their PayPal account.

Greater care should be exercised in the preparation of 1099's that are issued to board members. A few 1099's were issued to board members with the incorrect amount of compensation reported for 2017.

Board meeting minutes should be signed to show they have been approved.

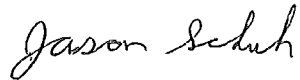
When entering checks into QuickBooks, the date entered into the software, should be the date the check is actually wrote out, and not the date the disbursement cleared the bank.

All expense reports that are presented for reimbursement should contain an invoice for any expense claimed. A few small expenses were reimbursed that did not have an invoice to support the expense amount claimed.

Reimbursement vouchers should be checked over to make sure the proper mileage and/or hotel amount is being used. On one particular voucher, the incorrect mileage rate was used to figure reimbursement. On the same voucher, the individual was reimbursed for the complete hotel stay even though there is a limit imposed by state law.

Thank you for allowing me to be of service and I wish to express my appreciation to your staff for their fine cooperation during the course of these audits. Please call if you have any questions or if I can be of additional service.

Sincerely,

A handwritten signature in cursive script that reads "Jason Schuh".

Jason Schuh, PC  
Certified Public Accountant



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**Communication with Those Charged with Governance**

December 21, 2020

To the Board of Directors  
North Dakota State Board of  
Dental Examiners  
P.O. Box 7246  
Bismarck, ND 58507-7246

I have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the North Dakota State Board of Dental Examiners for the years ended June 30, 2019 and 2018. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards* and the Uniform Guidance), as well as certain information related to the planned scope and timing of my audits. I have communicated such information in my letter to you dated December 12, 2019. Professional standards also require that I communicate to you the following information related to my audits.

Significant Audit Matters

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the North Dakota State Board of Dental Examiners are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the years ended June 30, 2019 and 2018. I noted no transactions entered into by the North Dakota State Board of Dental Examiners during the years for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements was (were):

The disclosure of deposits in Note 2 to the financial statements. The bank accounts are the most significant asset of the Board and it is imperative that the funds are fully insured by the financial institution.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

I encountered no significant difficulties in dealing with management in performing and completing my audits.

*Corrected and Uncorrected Misstatements*

Professional standards require me to accumulate all known and likely misstatements identified during the audits, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to my satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audits.

### *Management Representations*

I have requested certain representations from management that are included in the management representation letter dated December 15, 2020.

### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the North Dakota State Board of Dental Examiners' financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, my professional standards require the consulting accountant to check with me to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

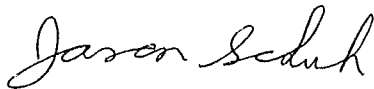
### *Other Audit Findings or Issues*

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the North Dakota State Board of Dental Examiners' auditor. However, these discussions occurred in the normal course of my professional relationship and my responses were not a condition to my retention.

### Restriction on Use

This information is intended solely for the information and use of the Board of Directors and management of the North Dakota State Board of Dental Examiners and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Jason Schuh".

Jason Schuh, CPA